

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58166

**CITY OF WOODLAND**

Cowlitz County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: April 25, 1997

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**CITY OF WOODLAND**  
**Cowlitz County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Mayor  
City of Woodland  
Woodland, Washington

We have audited the financial statements, as listed in the table of contents, of the City of Woodland, Cowlitz County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 12, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the city's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the city complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 12, 1996

**CITY OF WOODLAND**  
**Cowlitz County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Internal Control Structure**  
**At The Financial Statement Level**

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Mayor  
City of Woodland  
Woodland, Washington

We have audited the financial statements of the City of Woodland, Cowlitz County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the city, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 12, 1996

**CITY OF WOODLAND**  
**Cowlitz County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The Municipal Court Should Maintain An Accounts Receivable Control Account And Obtain Documentation For Noncash Credits

During the audit of the municipal court, we encountered the following:

- The court does not maintain an accounts receivable control account. Without this control, total payments received, bail applied, and other credits cannot be reconciled to the amounts posted to individual subsidiary accounts receivable.
- Sufficient documentation did not exist to support noncash credits. In 4 of 11 instances, documentation for jail time served did not match the credit given. Further, corrected clerical errors were not supported by documentation. No management review of noncash credits is performed.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

The failure to reconcile all increases and decreases in accounts receivable to supporting activity and the lack of support for all noncash transactions increases the possibility of errors or irregularities and places the city at risk for loss of revenues.

These conditions exist because the city was unaware of the importance of the control account and the retention of sufficient supporting documents for all noncash credits.

We recommend the municipal court maintain a monthly accounts receivable control account which is reviewed by management.

We further recommend the city obtain sufficient documentation for all noncash credits.

Auditee's Response

*The City concurs with this finding and will take steps to implement internal controls surrounding the accounts receivable control account. It should be noted that an accounts receivable log was updated when payments were made or bail received. The month end accounts receivable report was on file in the clerk's office. Non-cash credits and adjustments will be accounted for and documentation made. Management will be reviewing the monthly accounts receivable control account.*

#### Auditor's Concluding Remarks

An accounts receivable control account records total accounts receivable and agrees to the total of individual account balances. Total daily activity, increases and decreases, are posted to the account and can be reconciled back to the activity in the individual accounts. This provides an ongoing record which accounts for all postings to accounts receivable. While we recognize the court used a receivable log and month-end receivable report, these documents did not provide an accounting for the total activity posted to accounts receivable.

We appreciate management's commitment to strengthen their controls.

**CITY OF WOODLAND**  
**Cowlitz County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Financial Statements And Additional  
Information**

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Mayor  
City of Woodland  
Woodland, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of the City of Woodland, Cowlitz County, Washington, for the fiscal year ended December 31, 1995. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the city prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the City of Woodland for the fiscal year ended December 31, 1995, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Debt and Schedule of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such



information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 12, 1996